

United States Senate

WASHINGTON, DC 20510

September 27, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable Marty Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

We support your efforts to improve and enhance standards for banking organizations in the United States in light of the recent financial crisis. A strong and viable capital base is vital to ensure financial institutions are able to absorb unexpected losses. However, in developing rules to meet these objectives, we strongly urge the Agencies to consider the impact that applying standards developed for large, complex institutions will have on the unique and vital role that community banks play within the U.S. financial system.

Community banks are an important source of personal and business lending in communities across the country. In many areas, small institutions are the only ones that provide direct local services and have a stake in the success of their communities. These institutions are different from many larger institutions in size and scope, and we do not see the value in requiring them to adhere to regimes designed to manage larger and more complex risks.

As you know, community banks have little or no access to capital markets. In most cases, they must rely on the bank's officers, directors and shareholders to raise additional capital. Raising capital for community banks in the best of times is challenging and nearly impossible in times of economic stress.

We are concerned that the proposed capital rules could exacerbate these funding challenges. For example, the proposed rules are extremely complex and require the reporting and maintaining of granular data, greatly increasing the compliance burden on community banks. In fact, some small banks may be unable to service the future needs of the communities they serve because they simply do not have the resources to meet the new compliance obligations. In addition, the new increased capital requirements for U.S. Treasury and other securities that banks hold in their investment portfolios, could impact how small banks manage liquidity and interest rate risk.

We are also concerned that these changes could have significant, unintended consequences for community banks. The proposed rules could make it even harder to raise needed capital. Community banks may change their business plans as a result of the rules, thereby reducing lending and economic growth in the communities in which they serve.

We understand that capital is an important source of strength in our financial system. However, the complexity of new global rules adds little value to the community institutions which your agencies rigorously regulate and monitor. As you review these proposed rules, we respectfully request you consider these unintended consequences and their effect on the viability of community banks across the country.

Sincerely,



Mark R. Warner



Patrick J. Toomey



Johnny Isakson



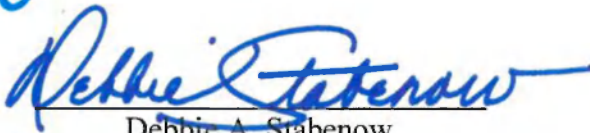
Jon Tester



John Barrasso



Ben Nelson



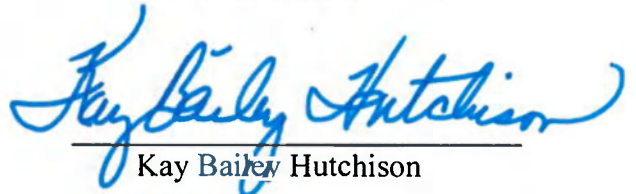
Debbie A. Stabenow



Mike Johanns



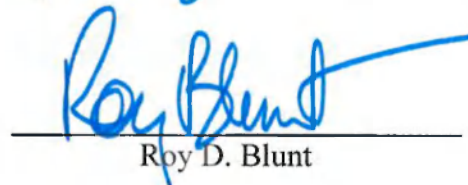
Mike D. Crapo



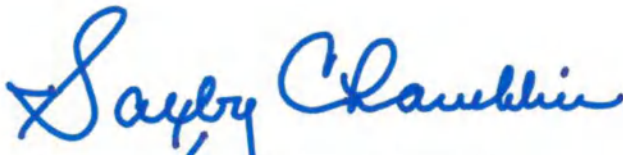
Kay Bailey Hutchison




Michael F. Bennet




Roy D. Blunt



Saxby Chambliss


Mark L. Pryor

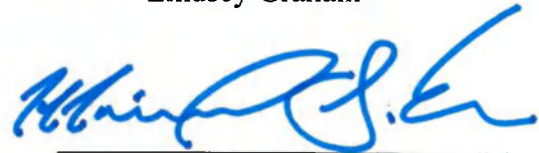

Joseph Manchin


Ron Wyden


Jerry Moran


Lindsey Graham

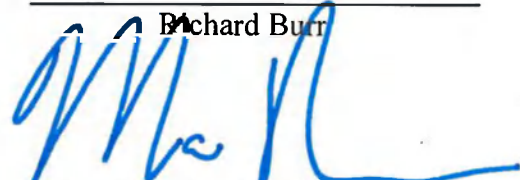

Kelly A. Ayotte

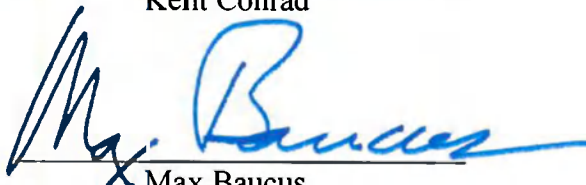

Mike Lee


Bill Nelson


Richard Burr

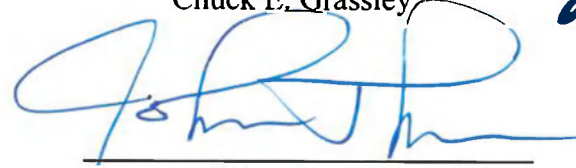

Kent Conrad


Marco Rubio


Max Baucus


Chuck E. Grassley


Kay R. Hagan


John Thune


John N. Boozman


Mitch McConnell




Michael B. Enzi



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Mary L. Landrieu



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Lisa Murkowski



Tom Coburn



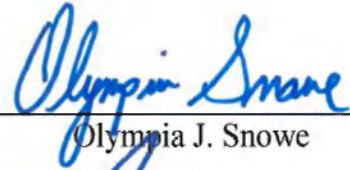
Daniel R. Coats



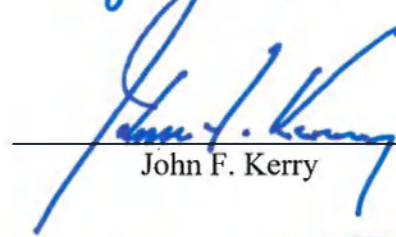
James M. Inhofe



Scott P. Brown



Olympia J. Snowe



John F. Kerry



James E. Risch



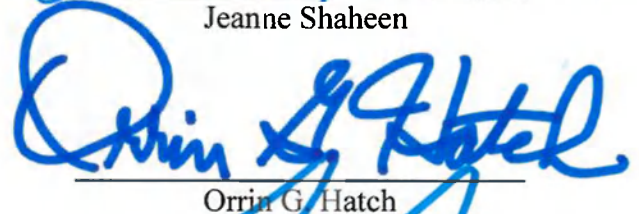
Susan M. Collins



Robert Menendez



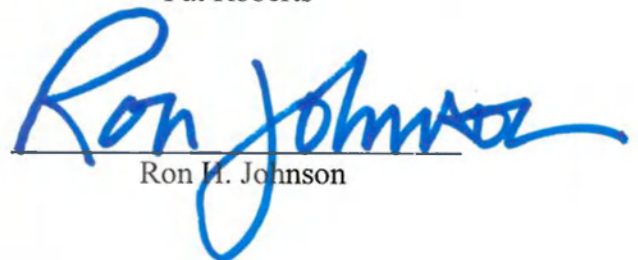
Jeanne Shaheen



Orrin G. Hatch



Pat Roberts



Ron H. Johnson



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Amy Klobuchar



Robert J. Portman



Jon Kyl



Herb Kohl